

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: August 2, 2010
POSITION: Neutral

BILL NUMBER: SB 1408
AUTHOR: Senate Banking, Finance and Insurance

BILL SUMMARY: Life and Health Insurance Guarantee Association

This bill, an urgency measure, would clarify and revise language pertaining to the California Life and Health Insurance Guarantee Association (Association) to conform to other states and the National Association of Insurance Commissioners' (NAIC) Model Law. This bill also would increase Association coverage as well as insurers' premium assessments used to fund the Association.

FISCAL SUMMARY

The Department of Insurance indicates costs resulting from this bill would be minor and absorbable within existing resources.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the June 29, 2010 version are minor and do not alter our position. The amendments would exempt from this bill's provisions any insurer that (before the effective date of this measure) had been placed under an order of liquidation with a finding of insolvency.

COMMENTS

Existing law establishes the Association to cover life and health insurance policyholders in the event that their insurer becomes insolvent. Existing law also contains many inconsistencies between California statute and the NAIC's Model Law.

This bill would:

- Increase coverage limits for death benefits, annuities and structured settlements.
- Increase (from 1 percent to 2 percent) the Association's premium assessments levied on insurers.
- Clarify eligibility requirements for Association coverage.
- Makes various technical and conforming changes to align statute with the NAIC's Model Law.
- Not apply to insurers that (before the effective date of this measure) were under an order of liquidation with a finding of insolvency

Analyst/Principal (0221)John Fitzpatrick	Date	Assistant Program Budget Manager Nona Martinez	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL NUMBER

SB 1408

		SO	(Fiscal Impact by Fiscal Year)							
Code/Department		LA	(Dollars in Thousands)							
Agency or Revenue		CO	PROP						Fund	
Type		RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	Code
0845/Insurance		SO	No	----- No/Minor Fiscal Impact -----						0217
<u>Fund Code</u>	<u>Title</u>									
0217	Insurance Fund									